



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

October 16, 2016

JONATHAN LINES, TREASURER
ARIZONA REPUBLICAN PARTY
3501 NORTH 24TH STREET
PHOENIX, AZ 85016

Response Due Date

11/21/2016

IDENTIFICATION NUMBER: C00008227

REFERENCE: JULY MONTHLY REPORT (06/01/2016 - 06/30/2016)

Dear Treasurer:

This letter is prompted by the Commission's preliminary review of the report referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. **Failure to adequately respond by the response date noted above could result in an audit or enforcement action.** Additional information is needed for the following 13 item(s):

1. Schedule A (see attached) discloses one or more contributions which appears to be from a corporation. Please be advised that 52 U.S.C. §30118(a) (formerly 2 U.S.C. §441b(a)) prohibits the receipt of contributions from corporations unless made from a separate segregated fund established by the corporation. Limited liability companies (LLCs) that choose to be treated as corporations under the Internal Revenue Service rules, or have shares that are traded publicly, are considered corporations. In the event that the LLC is treated as a partnership under IRS rules, the aforementioned contributions are to be attributed to each member in direct proportion to his or her share of the LLC's profit or by agreement of its members. Each member who has contributed in excess of \$200 for the calendar year should be identified by name, address, amount of contribution, name of employer, occupation and aggregate total on Schedule A. (11 CFR §110.1(g)(1) through (5))

If any apparently prohibited contribution in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information.

If you have received a prohibited contribution(s), you may have to make a refund. If within 30 days of receipt you (1) transferred the prohibited amount to an account not used to influence federal elections, and (2) provided written notice to the person making the contribution of the option of receiving a

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refund, you may retain the contribution in an account not used to influence federal elections. Any request from a donor for a refund must be honored.

If the foregoing conditions for transfers to a non-federal account were not met within 30 days of receipt, the prohibited amount must be refunded. (11 CFR §103.3(b)(1))

Please inform the Commission of your corrective action promptly in writing and provide a photocopy of your check for any transfer out or refund. In addition, any transfers out or refunds should be disclosed on Schedule B supporting Line 22 or 28 of the report covering the period during which the transaction was made.

Although the Commission may take further legal action concerning the acceptance of a prohibited contribution, prompt action by your committee to transfer out or refund the amount will be taken into consideration.

2. Schedule A of your report (see attached) discloses one or more contributions from organizations, which are not political committees registered with the Commission. In order for your committee to accept contributions from unregistered organizations into accounts used to influence federal elections, your committee should take steps to insure that the contributors used permissible funds to make the contribution(s) to avoid violating 52 U.S.C. § 30116(f) and 30118 (formerly 2 U.S.C. §§441a(f) and 441b) or 11 CFR §102.5(b). Under 11 CFR §102.5(b), organizations which are not political committees under the Act and choose to contribute to federal committees must either: 1) establish a separate account which contains only those funds permitted under the Act, or 2) demonstrate through a reasonable accounting method that the organization has received sufficient funds subject to the limitations and prohibitions in order to make the contribution.

If any apparently prohibited contribution in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information. In addition, please clarify whether the contributions received from the referenced organizations are permissible.

To the extent that your committee has received prohibited funds, you may have to make a refund. If within 30 days of receipt you (1) transferred the prohibited amount to an account not used to influence federal elections, and (2) provided written notice to the person making the contribution of the option of receiving a refund, you may retain the contribution in an account not used to influence

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federal elections. Any request from a donor for a refund must be honored.

If the foregoing conditions for transfers to a non-federal account were not met within 30 days of receipt, the prohibited amount must be refunded. (11 CFR §103.3(b)(1))

Please inform the Commission of your corrective action promptly in writing and provide a photocopy of your check for any transfer-out or refund. Should you choose to transfer-out or refund the contributions, the Commission will presume the funds were impermissible if no statement from your committee provides information to the contrary. Transfers-out and refunds should be disclosed on a Schedule B supporting Line 22 or 28 of the report covering the period during which the transaction was made.

Although the Commission may take further legal action concerning the acceptance of prohibited contributions, prompt action by your committee in transferring-out or refunding the amounts will be taken into consideration.

3. In a Form 99, received 6/15/16, you state "Our amended November 2015 monthly report indicated the excess contribution received from Enterprise Holdings, Inc PAC would be refunded on our next regularly scheduled monthly report. It should have indicated the refund would be reported on our July 2016 monthly report." However, you have failed to disclose the transaction during this reporting period. Any transfers-out should be disclosed on Schedule B supporting Line 22 of the report covering the period during which the transaction was made. Please amend your report to clarify this apparent discrepancy.

Please inform the Commission if you were unable to take corrective action as previously indicated and provide a photocopy of your check for any subsequent transfer-out. Although the Commission may take further legal action concerning the acceptance of a prohibited or excessive contribution(s), prompt action by your committee to transfer-out the amount will be taken into consideration.

4. In a Form 99, received 6/15/16, you state "Our amended December 2015 monthly report indicated the excess contribution received from Randy Kindrick would be transferred to non-federal accounts on our next regularly scheduled monthly report. It should have indicated the transfer would be reported on our July 2016 monthly report." However, you have failed to disclose the transaction during this reporting period. Any transfers-out should be disclosed on Schedule

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B supporting Line 22 of the report covering the period during which the transaction was made. Please amend your report to clarify this apparent discrepancy.

Please inform the Commission if you were unable to take corrective action as previously indicated and provide a photocopy of your check for any subsequent transfer-out. Although the Commission may take further legal action concerning the acceptance of a prohibited or excessive contribution(s), prompt action by your committee to transfer-out the amount will be taken into consideration.

5. Your May Monthly (4/1/16-4/30/16), June Monthly (5/1/16-5/31/16), and July Monthly (6/1/16-6/30/16) Reports combined do not disclose any payments for salary or wages on Schedule B supporting Line 30(b) of the Detailed Summary Page. 11 CFR §100.24 defines as Federal Election Activity, services provided by an employee of a State, district or local party committee who spends more than 25 percent of their time during that month on activities in connection with a Federal election. You are advised that payments for salaries and wages for employees who spend more than 25 percent of their compensated time in a given month on Federal Election Activity or activities in connection with a Federal election must be made with Federal funds only. Please provide clarification regarding the lack of payments for salary and wages disclosed by your committee.

6. Please amend your report by providing the full name, address, and purpose for each disbursement itemized on Schedule H4 supporting Line 21(a). (11 CFR §§104.3(a)(4) and 104.10(4))

7. Schedule H4 discloses payments made to credit card companies for shared federal and non-federal activity. Please be advised that these payments must identify as memo entries, the original vendors from which you have purchased an item or service regardless of the amount. Please amend your report by providing the name and mailing address of the original vendor, along with the date, amount and purpose of each expenditure and clearly identify on the Schedule H4, which credit card payment each memo entry relates to. (11 CFR §§104.10 and 104.17)

8. Schedule H4 of your report discloses a payment to "Hyatt Regency Phoenix," which is categorized as an Administrative expense; however, the purpose of disbursement disclosed is "Convevntion venue." Please be advised that payments made for your committee's fundraising activities must be allocated

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according to the funds received method and the ratio reflected on Schedule H2. Please amend your report to clarify the appropriate category for this activity or provide clarifying information regarding this apparent discrepancy. (11 CFR §106.7(d)(4))

9. Schedule H4 of your report discloses a disbursement for "National convention Consulting services." Please be advised that expenses related to sending a delegate to a National Convention do not qualify as shared expenses to be allocated between your federal and non-federal accounts. Federal operating expenses should be disclosed on a Schedule B supporting Line 21(b) of the Detailed Summary Page. Any reimbursement from your committee's non-federal account for this disbursement is not permissible and should be transferred-out immediately. (11 CFR §102.5(a)(1)(i)) Please amend your report to clarify the disbursement.

10. Schedule H4 of your report discloses apparent disbursements to "Ahwatukee Republican Women" and "Arizona Teenage Republicans." Please be advised that contributions and transfers to federal committees and/or non federal committees/organizations do not qualify as shared expenses to be allocated between your federal and non federal accounts. Transfers to affiliated committees should be disclosed on Schedule B supporting Line 22 of the Detailed Summary Page, contributions to federal committees should be disclosed on a Schedule B supporting Line 23 of the Detailed Summary Page and contributions to non federal committees/organizations on a separate Schedule B supporting Line 29. Any reimbursement from your committee's non federal account for any portion of this activity is not permissible. (11 CFR §102.5(a)(1)(i))

The Commission recommends that you immediately transfer the funds received by your federal account, as reimbursement for the non federal portion, back to your non federal account. Although the Commission may take further legal action concerning this prohibited activity, your prompt action will be taken into consideration.

11. Itemized disbursements must include a brief statement or description of why the disbursements were made. Please amend Schedule H4 to clarify the following description: "Professional Consulting." (11 CFR §§104.3(b)(3) and 104.10(a)(4))

Additional clarification regarding inadequate purposes of disbursement published in the Federal Register can be found at:

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http://www.fec.gov/law/policy/purposeofdisbursement/inadequate_purpose_list_3507.pdf

12. Schedule H4 supporting Line 21(a) of your report discloses payments for "Direct Mail" and "Printing." Please be advised that pursuant to 11 CFR §300.33(c)(1), expenditures for public communications (as defined by 11 CFR §100.26) that refer to a clearly identified candidate for Federal office and that promote, support, attack or oppose any such candidate for Federal office must not be allocated between or among federal and non-federal accounts. Only federal funds may be used.

Further, expenditures and disbursements for public communications that refer to a clearly identified candidate for Federal office and that promote, support, attack or oppose any candidate for Federal office, meet the definition of Federal Election Activity under 11 CFR §100.24 and should be disclosed on Schedule B for Line 30(b) along with the identity of the candidate(s). However, public communications that meet the definition of Federal Election Activity and that also contain express advocacy as defined under 11 CFR §100.22, but do not meet the conditions of exempt activity, would constitute an in-kind contribution, an independent expenditure or a coordinated party expenditure and should be properly disclosed on a Schedule B, E or F supporting Lines 23, 24 or 25, as appropriate, rather than on Schedule B for Line 30(b). Please amend your report to properly disclose this activity or provide clarifying information.

If this activity was categorized incorrectly, the Commission recommends that you immediately transfer the funds received by your federal account for this activity back to the non-federal account. Although the Commission may take further legal action concerning this prohibited activity, your prompt action will be taken into consideration.

13. Schedule H4 supporting Line 21(a) of your report discloses payments for "Insurance," "Payroll," and "Payroll Taxes." Please be advised that pursuant to 11 CFR §300.33(c)(2), salaries and wages for employees who spend more than 25% of their compensated time in a given month on Federal Election Activity (FEA) or activities in connection with a Federal election must not be allocated between or among federal and non-federal accounts. Rather, only federal funds may be used. Further, the Commission concluded in Advisory Opinion 2003-11 that amounts spent for employee-specific "fringe benefits," consisting of health insurance, disability insurance, life insurance, retirement benefits and payroll taxes, fall into the category of compensated time.

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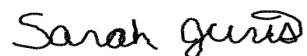
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Please clarify whether this activity is for employees who spent 25% or less of their time during the month(s) referenced above on FEA or activities in connection with a Federal election. If this is not the case, any reimbursement from your committee's non-federal account for this payment is not permissible and must be returned. Although the Commission may take further legal action regarding any improper allocation activity, your prompt action will be taken into consideration.

Please note, you will not receive an additional notice from the Commission on this matter. Adequate responses must be received by the Commission on or before the due date noted above to be taken into consideration in determining whether audit action will be initiated. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action. **Requests for extensions of time in which to respond will not be considered.**

Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you should have any questions regarding this matter or wish to verify the adequacy of your response, please contact me on our toll-free number (800) 424-9530 (at the prompt press 5 to reach the Reports Analysis Division) or my local number (202) 694-1175.

Sincerely,



Sarah Juris
Senior Campaign Finance Analyst
Reports Analysis Division

Impermissible, Excessive, and Prohibited Contributions
ARIZONA REPUBLICAN PARTY (C00008227)

Contributions from Possible Prohibited Entities (Corporations, Labor Organization, LLCs)

Contributor Name	Date	Amount	Report
Allstate Insurance Company	6/27/16	\$1,000.00	2016 July Monthly

Contributions from Unregistered Organizations

Contributor Name	Date	Amount	Report
Burges 2016	6/6/16	\$250.00	2016 July Monthly
Call 2016	6/24/16	\$250.00	2016 July Monthly